

City of Fitchburg Tax Incremental District No. 6

Financial Statements and
Supplementary Information

August 31, 2022

City of Fitchburg Tax Incremental District No. 6

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Independent Auditors' Report

To the City Council of
City of Fitchburg

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost Recovered Through Tax Increments and Historical Summary of Sources, Uses and Status of Funds of the City of Fitchburg's Tax Incremental District No. 6 (the District) as of August 31, 2022 and from the date of creation through August 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District and the net project costs recovered through tax increments as of August 31, 2022 and the sources, uses and status of funds from the date of creation through August 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of City of Fitchburg's Tax Incremental District No. 6 and do not purport to, and do not, present fairly the financial position of the City of Fitchburg, Wisconsin, as of August 31, 2022, and the changes in financial position, or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 15, 2023 on our tests of its compliance with Wisconsin State Statutes Section 66.1105. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Baker Tilly US, LLP

Madison, Wisconsin
March 15, 2023

City of Fitchburg Tax Incremental District No. 6

Balance Sheet
August 31, 2022

	<u>Capital Projects Fund</u>
Assets	
Cash and investments	<u>\$ 5,689,598</u>
Total assets	<u><u>\$ 5,689,598</u></u>
Liabilities	
Liabilities	
Accounts payable	\$ 276,056
Refund payable to overlying districts and city	<u>5,413,542</u>
Total liabilities	<u><u>\$ 5,689,598</u></u>

See notes to financial statements

City of Fitchburg Tax Incremental District No. 6

Historical Summary of Project Costs, Project Revenues and

Net Cost Recovered Through Tax Increments

From the Date of Creation Through August 31, 2022

Project Costs

Capital expenditures	\$ 10,271,214
Administration (in-house)	345,989
Professional services, planning, engineering, other	1,168,616
Developer grants	6,695,282
Interest on advance	9,665
Debt issuance costs	26,323
Transfer to affordable housing fund	2,671,864
Transfer to debt service fund for remaining interest	39,400
Interest on long-term debt	376,013

Total project costs 21,604,366

Project Revenues

Tax increments	24,415,906
Exempt computer aid	635,731
Personal property aid	382,732
Intergovernmental grants	1,000,000
Investment income	470,756
Miscellaneous revenues	112,783

Total project revenues 27,017,908

Net cost recovered through
tax increments, August 31, 2022 (5,413,542)

Refund payable to overlying districts 5,413,542

Fund balance, August 31, 2022 \$ -

City of Fitchburg Tax Incremental District No. 6

Historical Summary of Sources, Uses and Status of Funds
From the Date of Creation Through August 31, 2022

Sources of Funds

Tax increments	\$ 24,415,906
Exempt computer aid	635,731
Personal property aid	382,732
Intergovernmental grants	1,000,000
Investment income	470,756
Miscellaneous revenues	112,783
Long-term debt issued	<u>3,995,000</u>

Total sources of funds 31,012,908

Use of Funds

Capital expenditures	10,271,214
Administration (in-house)	345,989
Professional services, planning, engineering, other	1,168,616
Developer grants	6,695,282
Interest on advance	9,665
Debt issuance costs	26,323
Transfer to affordable housing fund	2,671,864
Transfer to debt service fund for remaining principal	1,785,000
Transfer to debt service fund for remaining interest	39,400
Principal on long-term debt	2,210,000
Interest on long-term debt	<u>376,013</u>

Total uses of funds 25,599,366

Fund balance, August 31, 2022 \$ 5,413,542

Refund payable to overlying districts \$ (5,413,542)

Fund balance, August 31, 2022 \$ -

City of Fitchburg Tax Incremental District No. 6

Notes to Financial Statements
August 31, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the City of Fitchburg's Tax Incremental District No. 6 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Fitchburg has implemented accounting principles generally accepted in the United States of America to the extent they apply in determining the scope of the activity of Tax Incremental District (TID) No.6. The accompanying financial statements reflect all the significant operations of the City of Fitchburg's Tax Incremental District No. 6. The accompanying financial statements do not include the full presentation of the City of Fitchburg.

Description of Fund Structure and Long-Term Debt

This report contains the financial information of the City of Fitchburg's Tax Incremental District No. 6. The summary statements were prepared from data recorded in the following fund and the City's long-term debt:

TID No. 6 Capital Projects Fund

Detailed descriptions of the purpose of this fund and long-term debt can be found in the City of Fitchburg's basic financial statements.

The data was consolidated for purposes of this report. Therefore, the amounts shown in the accompanying statements will not directly correlate with amounts shown in the basic financial statements.

The District was created under the provisions of Wisconsin Statute Section 66.1105. The purpose of that section is to allow a municipality to recover development and improvement costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the District. The tax on the increased value is called a tax increment.

The statutes allow the District to collect tax increments until the net project cost has been fully recovered, or until 20 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the City of Fitchburg. Project costs may be incurred up to five years before the unextended termination date of the District.

Original Project Plan

	<u>Creation Date</u>	<u>Termination Date</u>
TID No. 6	January 1, 2006	March 8, 2022

Plan Amendment

	<u>Adoption Date</u>
Amendment	August 27, 2013

City of Fitchburg Tax Incremental District No. 6

Notes to Financial Statements
August 31, 2022

Basis of Accounting

The modified accrual basis of accounting was followed in the preparation of these statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Project costs, other than interest on long-term debt, are recorded when the related fund liability is incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the District is entitled to the aids.

Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus

The measurement focus of all governmental funds is the funds flow concept. Under the funds flow concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unavailable or unearned revenue or as nonspendable fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are shown in the long-term debt footnote disclosure. The related expenditures are recognized when the liabilities are liquidated.

Long-Term Debt

Short-term liabilities are recorded as fund liabilities. All other long-term liabilities are shown in the long-term debt footnote disclosure.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Sources of Funds" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are disclosed in the long-term debt footnote when the related liabilities are incurred.

City of Fitchburg Tax Incremental District No. 6

Notes to Financial Statements
August 31, 2022

2. Cash and Temporary Investments

The District invests its funds in accordance with the provisions of the Wisconsin Statutes 66.0603(1m) and 67.11(2).

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The District, as a fund of the City of Fitchburg, maintains separate and common cash and investment accounts at the same financial institutions utilized by the City of Fitchburg. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the City of Fitchburg as an individual municipality, and, accordingly, the amount of insured funds is not determinable for the District.

3. Long-Term Debt

General Obligation Debt

All general obligation bonds payable are backed by the full faith and credit of the City of Fitchburg. Bonds borrowed to finance the District's expenditures will be retired by tax increments accumulated by the debt service fund.

<u>Title of Issue</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Repaid</u>	<u>Balance 08/31/2022</u>
2015B G.O Bonds	04/14/2015	04/01/2027	2.00-2.50 %	\$ 3,995,000	\$ 2,210,000	\$ 1,785,000
Total				<u>\$ 3,995,000</u>	<u>\$ 2,210,000</u>	<u>\$ 1,785,000</u>

Remaining principal balance of \$1,785,000 and interest in the amount of \$39,400 will be paid off in April 2023. As of August 31, 2022, these amounts have been transferred to the City of Fitchburg's debt service fund.

4. Developer Grants

The City of Fitchburg had entered into a development agreement with Benjamin Investments and has paid \$290,064 of incentive as of August 31, 2022.

5. Tax Abatements

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City of Fitchburg Tax Incremental District No. 6

Notes to Financial Statements

August 31, 2022

The City of Fitchburg, through its Tax Incremental Districts (TIDs), has entered into tax abatement agreements with developers in the form of tax incremental financing incentives to stimulate economic development. The abatements are authorized through the TID project plans. The developers pay property taxes as they become due and, after meeting the criteria established in the development agreement, are entitled to future incentive payments that directly correlate to the taxes paid.

Developer Name	Cumulative Payments as of 8/31/22	Commitment Outstanding as of 8/31/22
Ryan Companies US, Inc.	\$ 5,042,684	\$ -
Benjamin Investments	1,362,534	-

6. Affordable Housing Extension

In 2021, the District has successfully completed implementation of the project plan and sufficient increment was collected to pay off its aggregate costs. On February 8, 2022, the City of Fitchburg extended the life of the District by 12 months. The City used the last year's increment which was collected in 2022 to benefit affordable housing and improve the housing stock.

7. Commitments and Contingencies

As of August 31, 2022, the City of Fitchburg has open lawsuits with Hy-Vee and AMC regarding claims for excessive assessments for tax years 2021-2022. The outcome of these ongoing matters is not determinable as of August 31, 2022. The city has booked an accrual of \$229,000 in estimated legal and appraisal costs within the TID No. 6 capital projects fund for this ongoing matter as of August 31, 2022.

8. Refund to City and Overlying Districts

The refund to City and overlying districts is calculated based on increments collected in excess of project costs using the ratio of tax levies in the 2021 tax roll as follows:

Dane County	\$ 698,347
City of Fitchburg	1,846,018
Verona School District	2,674,290
Madison Technical College	194,887
	\$ 5,413,542
Total	\$ 5,413,542

City of Fitchburg Tax Incremental District No. 6

Detailed Schedule of Sources, Uses and Status of Funds
From the Date of Creation Through August 31, 2022

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sources of Funds										
Tax increments	\$ -	\$ -	\$ 279,206	\$ 636,761	\$ 889,866	\$ 1,157,011	\$ 1,239,639	\$ 1,297,664	\$ 1,384,348	\$ 323,305
Exempt computer aid	-	-	1,194	12,309	47,821	9,821	8,345	7,173	7,470	14,310
Personal property aid	-	-	-	-	-	-	-	-	-	-
Intergovernmental grants	-	-	-	-	-	-	-	-	901,898	98,102
Investment income	-	-	-	1,336	1,056	1,696	-	-	1,960	4,160
Miscellaneous revenues	-	-	-	-	-	-	-	-	586	-
Long-term debt issued	-	-	-	-	-	-	-	-	-	3,995,000
Total sources of funds	-	-	280,400	650,406	938,743	1,168,528	1,247,984	1,304,837	2,296,262	4,434,877
Uses of Funds										
Capital expenditures	-	11,254	20,822	-	9,900	-	11,240	1,031,627	3,332,438	797,177
Administration (in-house)	66,206	15,758	14,661	24,918	6,857	6,901	8,857	28,394	40,765	33,189
Professional services, planning, engineering, other	-	-	-	-	-	-	-	77,502	184,680	30,971
Developer payments	-	-	-	502,752	650,049	703,263	608,380	579,249	550,119	520,989
Interest on advance	-	3,707	-	-	-	-	-	-	-	5,958
Debt issuance costs	-	-	-	-	-	-	-	-	-	26,323
Transfer to affordable housing fund	-	-	-	-	-	-	-	-	-	-
Transfer to debt service fund for remaining principal	-	-	-	-	-	-	-	-	-	-
Transfer to debt service fund for remaining interest	-	-	-	-	-	-	-	-	-	-
Principal on long-term debt	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Total uses of funds	66,206	30,719	35,483	527,670	666,806	710,164	628,477	1,716,772	4,108,002	1,414,607
Fund balance, August 31, 2022										
Refund payable to overlying districts and city										
Fund balance, August 31, 2022										

City of Fitchburg Tax Incremental District No. 1

Detailed Schedule of Sources, Uses and Status of Funds
From the Date of Creation Through August 31, 2022

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>	Project Plan Estimate
Sources of Funds									
Tax increments	\$ 2,501,967	\$ 1,798,894	\$ 2,385,326	\$ 2,143,382	\$ 2,338,445	\$ 3,368,228	\$ 2,671,864	\$ 24,415,906	\$ 31,365,104
Exempt computer aid	79,006	72,635	73,703	75,486	75,486	75,486	75,486	635,731	-
Personal property aid	-	-	-	11,087	95,683	180,279	95,683	382,732	-
Intergovernmental grants	-	-	-	-	-	-	-	1,000,000	-
Investment income	16,338	42,270	126,252	183,433	55,914	9,407	26,934	470,756	631,672
Miscellaneous revenues	-	-	-	-	-	112,197	-	112,783	-
Long-term debt issued	-	-	-	-	-	-	-	3,995,000	17,075,000
Total sources of funds	2,597,311	1,913,799	2,585,281	2,413,388	2,565,528	3,745,597	2,869,967	31,012,908	49,071,776
Uses of Funds									
Capital expenditures	(81,044)	3,314	3,602	1,996,870	2,820,638	222,262	91,114	10,271,214	20,230,000
Administration (in-house)	6,483	21,319	4,260	30,380	19,249	14,788	3,004	345,989	188,175
Professional services, planning, engineering, other	45,764	68,580	233,476	193,841	29,040	57,819	246,943	1,168,616	-
Developer payments	927,883	-	96,278	174,782	19,004	328,623	1,033,911	6,695,282	-
Interest on advance	-	-	-	-	-	-	-	9,665	-
Debt issuance costs	-	-	-	-	-	-	-	26,323	349,788
Transfer to affordable housing fund	-	-	-	-	-	-	2,671,864	2,671,864	-
Transfer to debt service fund for remaining principal	-	-	-	-	-	-	1,785,000	1,785,000	-
Transfer to debt service fund for remaining interest	-	-	-	-	-	-	39,400	39,400	-
Principal on long-term debt	295,000	305,000	310,000	315,000	320,000	330,000	335,000	2,210,000	17,075,000
Interest on long-term debt	42,263	74,650	68,500	62,250	55,900	49,400	23,050	376,013	4,416,750
Total uses of funds	1,236,349	472,863	716,116	2,773,123	3,263,831	1,002,892	6,229,286	25,599,366	42,259,713
Fund balance, August 31, 2022								<u>\$ 5,413,542</u>	
Refund payable to overlying districts and city								<u>\$ (5,413,542)</u>	
Fund balance, August 31, 2022								<u>\$ -</u>	

Independent Auditors' Report on Other Legal and Regulatory Requirements

To the City Council of
City of Fitchburg

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost Recovered Through Tax Increments and the related Historical Summary of Sources, Uses and Status of Funds of the City of Fitchburg, Wisconsin's Tax Incremental District No. 6 (District) as of August 31, 2022 and from the date the District was created through August 31, 2022 and have issued our report thereon dated March 15, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with Wisconsin State Statutes Section 66.1105, insofar as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced statute, insofar as it relates to accounting matters.

This report is intended solely for the information and use of the City Council, management and the overlapping taxing districts and is not intended to be, and should not be, used by anyone other than the specified parties.

Baker Tilly US, LLP

Madison, Wisconsin
March 15, 2023